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C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 000319

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SUBJECT: KUWAIT-HOSTED BASRAH INVESTMENT CONFERENCE A SMALL
STEP FORWARD

Classified By: CDA Alan G. Misenheimer for reasons 1.4 (b) and (d)

Summary and Comment

11. (U) The newly established British-Iraqi Basrah Development Commission and the Basrah Provincial Government organized and sponsored Invest Basrah 2008, which was held in Kuwait from March 12-14. This first-of-its-kind investment conference brought together 70 Basrawi government officials and businessmen and representatives from about 30 Kuwaiti and international banks, energy companies, investment companies, and general trading and contracting companies. The conference consisted of plenary sessions on general investment opportunities, sector-specific breakout meetings, and a number of private meetings between individual companies and officials.

12. (C) The Iraqis made a concerted, if less than fully persuasive, effort to assure prospective investors that the security situation is stable and that Basrah is taking significant steps to make it easier, less risky, and more lucrative for foreigners to invest. The consensus among the attendees with whom we spoke was that while the conference failed to answer important questions about the legal, regulatory, and financial framework for investing in Basrah, it provided a valuable and unprecedented opportunity for prospective Kuwaiti investors, traders, and contractors to meet face-to-face with Basrawi provincial officials and businessmen with whom they could at least explore potential business deals. Security was the leading concern of most of the prospective investors with whom we spoke.

13. (C) The GOK sent no senior officials to attend the event, but the fact that the Kuwaiti MFA facilitated the entry of 70 Iraqi officials and businessmen into Kuwait represents a major achievement. The GOK has a history of making it extremely difficult for Iraqis to obtain visas. Unfortunately, even though the GOK had approved visas for all the Iraqi delegates, the delegation was still delayed for three hours at the Abdali-Safwan land border, supposedly due to a technical error in visa system. End Summary and Comment.

The Basrah Development Commission

14. (U) The Basrah Development Commission (BDC) is an Iraqi initiative supported by the British government. The concept was developed by Iraqi Deputy PM Barham Saleh and British PM Gordon Brown during Brown's October 2007 visit to Iraq. There are six Iraqi commissioners from both the public and private sectors appointed by the Iraqi government and one British Commissioner, KPMG CEO Michael Wareing. Wareing and

Basrah Provincial Councilman Munadhil Abd Khangar Al-Rekabi serve as co-chairs. The BDC's mission is to champion inward investment and local business development by advising the local government and promoting dialogue with investors, trading partners, lenders, and contractors. Its focus is on private sector-led growth. The BDC met for the first time in February 2008 and will convene on a quarterly basis. It is intended to fill an interim role until the still embryonic Basrah Investment Promotion Agency becomes operational. The BDC is supported by the private British company Coffey International Development, which organized the conference. A follow-on conference to be held in London in April will target prospective British and European investors.

Opportunities highlighted, but process and framework unclear

¶5. (U) KPMG CEO Michael Wareing, Basrah Governor Mohammed Al-Waili, and Basrah Provincial Council Chairman Mohammed Al-Ebady each made opening remarks. Wareing focused on the need to create jobs, especially for vulnerable elements of society, to foster stability. He highlighted the need for investment in education, training, and health care. Al-Waili also spoke of the desperate need to create jobs and the importance of making the transition from a public sector economy to a private sector economy. Calling Basrah "the lungs of Iraq," he drew attention to the opportunities for investment in hydrocarbons, agriculture, ports, and infrastructure. Al-Ebady spoke of the special and strategic relationship between Iraq and Kuwait. He called for private investors to help revive Basrah as the commercial center of Iraq through investment in infrastructure (especially electricity), industry, services, agriculture, and tourism. All three speakers highlighted ongoing efforts to improve

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security and the overall investment climate.

¶6. (SBU) Breakout sessions were conducted to discuss sector-specific investment opportunities in airports and ports, agriculture, construction, and hydrocarbons. Each of these sessions was jointly led by an Iraqi official and a representative from Coffey International Development. On the part of the Iraqis, there were general statements of eagerness to attract foreign partners and foreign investment, but there was little practical guidance on how to proceed. The Iraqi reps were unprepared to answer specific, technical questions regarding legal frameworks, regulation, bureaucratic obstacles, contractual structures, and investment incentives. Audience participation was mostly limited to complaints and anecdotes about problems encountered in trying to invest or operate in Iraq, and direct (and almost universally unanswered) technical questions about the investment climate. The Iraqis were unable to answer questions about the division of authority and responsibility between the central and local government. Many businessmen complained about cumbersome bureaucracy and lack of transparency. The Iraqi speaker leading the session on ports sidestepped questions about security, militias, and the possible takeover by the Iraqi Army. The speaker from South Oil Company admitted he did not know who had the authority to sign various types of contracts. The airports representative did not know whether foreign companies were legally able to manage airport operations.

¶7. (U) There were additional breakout sessions on state-owned enterprises (SOEs), WTO trade issues, and Economic Zones. The SOEs highlighted were petrochemical/fertilizer, paper, gas, sewing, and metalworks companies. The WTO session focused on accession issues and technical barriers to trade. In the Economic Zones meeting, opportunities and potential problems in the Khor Al-Zubair free zone were discussed. Again, in all three sessions, attendees expressed disappointment at the presenters' inability to answer specific, practical questions about technical investment issues.

18. (SBU) One of the more useful and well-received sessions was a brief description of the features of the 2006 National Investment Law (Law no. 13) presented by TRC International's Piers Drysdale, a private British legal consultant based in Iraq. Drysdale provided an excellent summary of important investment issues including taxes, contracts, foreign ownership, employment, licensing, permits, visas, etc. Unfortunately, his time was limited to ten minutes because of scheduling problems, and he was forced to race through his slides without taking time for questions.

19. (U) One of the final sessions was an "Iraqi Investor Road Map" session presented by USAID affiliate Izdihar. Although the title showed promise, this presentation actually consisted of arguments as to how and why Iraq needs to improve its investment climate rather than a framework to guide prospective investors. The presenter listed all the investment-stifling problems that Izdihar had identified and all the recommendations it had made, but according to the briefing, the government had taken action on almost none of these recommendations.

GOK helpful with visas but otherwise unengaged

10. (C) At the urging of the British Embassy, the Kuwaiti MFA fast-tracked visas for all of the Iraqi participants. Even though the visas for the entire Iraqi delegation had been approved in advance, the Iraqis still experienced a three-hour delay at the Abdali-Safwan land border, supposedly due to technical problems. This delay, in turn, pushed back the conference-opening dinner event by two hours, by which point many of the invited guests had given up and gone home. Nevertheless, the mere fact that the GOK allowed such a large public-private Iraqi delegation to enter Kuwait is a significant milestone. The GOK typically makes it extremely difficult for Iraqi officials and businessmen to enter Kuwait, and for Kuwait to host a delegation of this size and nature is unprecedented. Even though official Kuwaiti involvement in this event was otherwise extremely limited, the fact that the GOK enabled it to take place at all represents a significant step forward.

11. (C) Post was told at various times during the lead-up to the conference and at the event itself that either Ambassador Khaled Al-Maqamis of the MFA Coordination and Follow-up

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Department or Ambassador Shaykh Ali Khaled Al Sabah of the MFA Economic Department would speak or at least attend. Unfortunately, in the end the only officials from the GOK in attendance were two third secretaries from the MFA who mostly loitered in the lobby and attended sessions intermittently. No explanation was given for the absence of more senior officials.

12. (U) Kuwaiti press coverage of the event was light and took its content from the official press release.

13. (U) The following list includes most of the individuals/entities that actually attended the conference:

Iraqi representation

Basrah Governor Mohammed Al-Waili
Deputy Minister of Interior
Basrah provincial officials
Basrah Development Commissioners
South Oil Company
South Gas Company
Agriculture - Basrah
General Company for Ports
Customs
Basrah Chamber of Commerce
Basrah Businessmen Union

Islamic Commercial Union
Trading, construction, contracting, petrochemical,
agricultural, and metalworks companies

Foreign Companies

BP
Shell
Kuwait Oil Company
Kuwait Energy
National Petroleum Services Company (Kuwait)
SABIC
Schlumberger
Crescent Petroleum
Agility Logistics (Kuwait)
KGL Logistics
GAC Logistics
Inchcape Shipping Services
Southampton Container Terminals
Gulf Consult (Kuwait)
Arabian Construction
Kuwait British Readymix Concrete
Kuwait Electrical Wiring
HOT Engineering
National Canned Foods (Kuwaiti)
Anderson Lloyd Financial and Insurance
Lingram Financial Advisors
KPMG
Bahrain Maritime and Mercantile International
Al-Mulla Group (Kuwait)
Al-Rashed Group (Kuwait)
Al-Zabin Company (Kuwait)
Mushrif Trading and Contracting (Kuwait)
Fouad Alghanim and Sons (Kuwait)
Al-Sayer Group (Kuwait)
Al-Mouasat Holding (Kuwait)
National Bank of Kuwait
Commercial Bank of Kuwait
Gryphon Air (Kuwait)

USG representation

Embassy Kuwait
NEA/I
PRT Basrah
USAID
DOD Task Force for Business and Stability Operations

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Misenheimer